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**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

**Telecommunications Division  
Carriers Branch**

**RESOLUTION T-17024b  
July 20, 2006**

**R E S O L U T I O N**

**RESOLUTION T-17024b. SBC California (U-1001-C). In accordance with Decision 01-12-021 Ordering Paragraph 6, this resolution addresses the monthly and annual ARMIS data on initial and repeat out-of-service repair intervals for residential customers for 2005.**

**By Advice Letter No. 27928, filed on January 20, 2006**

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**Summary**

By Advice Letter (AL) 27928, SBC California (SBC) submitted its monthly and annual ARMIS data for 2005, as required, on January 20, 2006.

Despite exceeding the repair interval standards set in Decision 01-12-021 ("D.01-12.021"), SBC requests that the Commission grant an exemption from the penalties for exceeding repair interval standards prescribed in Decision 01-12-021 ("D.01-12.021") for: (1) all months in which a state of emergency was declared, (2) all months in which it failed to meet the repair out-of-service interval standards ("out-of-service intervals") due to the delaying effect of Customer Requested Appointments ("CRAs"), and (3) the entire year of 2005.

We adopt the following policies:

- Deny SBC's request for a penalty waiver for the entire year of 2005 for failing to meet the initial out-of-service standard.
- Grant SBC's request for penalty exemption for initial repair out-of-service intervals due to declared states of emergency for the affected period (i.e., January, February, March, and December, 2005).

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- Grant SBC's request for penalty exemptions for the months of April and May during which the service problems arising from the state of emergency continued.
- Grant SBC's request for penalty waiver for the effects of Customer Requested Appointments (CRAs) on repair out-of-service intervals.
- Order SBC to pay a penalty of \$300,000 per month for three months for a total of \$900,000 for non-compliance with initial out-of-service repair interval standard.
- Grant SBC's request for penalty exemption for repeat out-of-service standard for the entire year of 2005 due to declared states of emergency.

## Background

In D.01-12-021, the Commission ordered Pacific Bell, now SBC,<sup>1</sup> to file an annual advice letter on its performance in repairing residential outages. If Pacific Bell failed to meet set standards, it would be penalized \$300,000 for each month it was out of compliance.<sup>2</sup> The standards set, which were elsewhere referred to as out-of-service repair intervals, are an average measure of the amount of time a given outage lasts before a repair is made. Decision 01-12-021 Ordering Paragraph 6 states:

“Beginning January 20, 2003, Pacific shall file an annual Advice Letter in which it provides monthly and annual ARMIS data on initial and repeat out-of-service repair intervals for residential customers for the prior year. Such filing shall be accompanied by an affidavit, signed by an officer of the company, under penalty of perjury, asserting that the data are correct and that the methodology used for compiling the ARMIS information has not been changed. Pacific shall be subject to penalties if it fails to meet the annual standards of 29.3 average hours (for initial out-of-service [IOOS] repair intervals) and 39.4 average hours (for repeat out-of-service [ROOS] intervals). If Pacific fails to meet either of the annual standards, it shall be subject to penalties for any months in that year in which it exceeds that particular standard.”

In every annual advice letter (“AL”) that SBC has filed since January 2003 until the instant AL, SBC has met the annual IOOS and ROOS standards.<sup>3</sup> In AL 27928, however, SBC acknowledges it has missed, on an unadjusted basis, both standards for 2005. The

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<sup>1</sup> Through a series of mergers, Pacific Bell changed its name first to SBC and then to AT&T.

<sup>2</sup> D.01-12-021, Ordering Paragraph 7.

<sup>3</sup> SBC filed AL 23488 containing its IOOS/ROOS for 2002 on January 17, 2003; AL 24538 containing those data for 2003 on January 20, 2004; and AL 26097 containing those data for 2004 on January 20, 2005.

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table below shows SBC's annual results on an unadjusted and adjusted (for weather and CRA) basis as proposed by the carrier.

	Initial OOS Interval (hrs)	Repeat OOS Interval (hrs)
D.01-12-021 Standard	29.3	39.4
Unadjusted Annual Results	45.6	46.8
Adjusted for Weather Catastrophes	36.4	37.6
Adjusted for Weather Catastrophes and CRA Effect	32.1	34.3

SBC requests that it be exempted from the penalties for all of 2005 for the following reasons:

- The months of January, February, March, and December should be exempted because states of emergency were officially declared during those months.
- Initial and repeat out-of-service intervals throughout 2005 necessarily increased because of Customer Requested Appointments.
- The financial burden of penalties is unwarranted, in light of the excessive and prolonged storm-related operational expenses.

### Notice and Protests

SBC states that, in compliance with Section III. G. of General Order No. 96.A, it mailed a copy of AL 27928 to competing and adjacent utilities and/or other utilities, and interested parties, as requested. In addition, SBC AT&T states that it sent an e-mail copy of the AL to parties as requested. A notice of this AL was published in the Commission's Daily Calendar on January 30, 2006.

A limited protest to the AL was filed by the Division of Ratepayers Advocates (DRA) on February 8, 2006. SBC responded to DRA's limited protest on February 17, 2006.

### Discussion and Analysis

We will discuss each of SBC's reasons for exemption in the order listed above.

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**A. An exemption should be granted for January, February, March, and December from penalties because States of Emergency were declared in those months.**

Due to severe weather-related events that occurred in 2005, which resulted in declared states of emergency in January, February, March, and December, SBC requests that these months be exempted from the derivation of its residential out-of-service penalties for 2005. Both Governor Schwarzenegger and President Bush declared states of emergency in 2005.

If the four months are excluded from the annual calculations, SBC will have met the annual ROOS standard but not the IOOS standard for 2005. It would still be subject to penalties for the eight months under IOOS standard. See Attachment 1.

DRA reviewed the filing and does not oppose excluding the results of January, February, March, and December due to weather-related catastrophic events. DRA reasons that SBC's claim of "existence of catastrophic events is verifiable by objective means, i.e., the Governor Office's declaration of such events."<sup>4</sup>

D.01-12-021 permits SBC to adjust and exclude certain months in the calculation of annual repair intervals. The repair intervals for the remaining months are then compared against the preset standards to determine if penalties are warranted. Ordering Paragraph 9 of D.01-12-021 states:

"If a catastrophic event or widespread service outage occurs in one or more months of the year, as part of its annual Advice Letter filing, Pacific shall provide both the unadjusted ARMIS average for the month and year, along with adjusted figures. Pacific shall provide supporting information as to why the month should be excluded for purposes of calculating penalties and work papers that show the date(s) of the catastrophic event and how the adjusted figure was calculated."

The Decision defines a catastrophic event as "any event in SBC's service area for which there is a declaration of a state of emergency, duly issued under federal or state law."<sup>5</sup> A widespread service outage is defined as "any outage affecting at least 3% of SBC's residential customers in the state."<sup>6</sup>

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<sup>4</sup> DRA's Limited Protest to SBC AL 27928, pg. 3.

<sup>5</sup> D.01-12-021 footnote 38.

<sup>6</sup> D.01-12-021 footnote 39.

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On January 23, 2006, in response to a Telecommunications Division data request, SBC provided information on the dates of the states of emergency that occurred and the unadjusted and adjusted ARMIS performance measures. The table below summarizes the data on the states of emergency.

States of Emergency				
Date Declared	Start Date	End Date	Issued By	No. of Affected Counties
January 12, 2005	January 6, 2005		Governor Schwarzenegger	1
January 15, 2005	December 28, 2004		Governor Schwarzenegger	7
February 4, 2005	December 27, 2004	January 11, 2005	President Bush	2
March 16, 2005	<sup>7</sup>		Governor Schwarzenegger	8
April 15, 2005	February 16, 2005	February 23, 2005	President Bush	7
January 3, 2006	December 19, 2005		Governor Schwarzenegger	16
January 12, 2006	December 19, 2005		Governor Schwarzenegger	11

Based on data submitted by SBC, no penalties should be assessed for the entire year for the ROOS standard. SBC should also be granted an exemption from penalties in the months of January, February, March, and December, 2005 for the IOOS standard due to the declared states of emergency.

**B. Initial Out-of-Service intervals necessarily increased because SBC allowed customers to make Customer Requested Appointments.**

SBC asserts: "In addition to the severe and prolonged storms of 2005, SBC California's 2005 out-of-service results were significantly affected by a substantial increase in the number of customer requested appointments (CRAs), which allow a customer to select an appointment date that is convenient for them, even though that date is later than the first repair date that is offered by SBC California, are not currently excluded from the

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<sup>7</sup> Gov. Schwarzenegger stated in this declaration that the previous declaration, issued in January, 2005, remained in effect on March 16, 2005.

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out-of-service measure. Since 2002, when the 4-hour appointment began to be proactively offered to customers in compliance with D.01-12-021, the response intervals for CRAs have increased 46% for the initial out-of-service intervals and 41% for the repeat out-of-service measure. In 2005, the CRA added over 4 hours to the initial out-of-service response interval and over 3 hours to the repeat out-of-service response intervals. SBC California should not be penalized for honoring customer requested appointments and complying with Decision 01-12-021.”<sup>8</sup>

As SBC points out, D.01-12-021 mandated that it provide customers with an opportunity to schedule repair appointments to fall within a 4-hour window. The Commission should not penalize AT&T for complying with the requirements of a previous decision, nor should it discourage AT&T from accommodating the needs of its customers.

Citing SBC’s success in meeting the standards in 2002, 2003, and 2004, all years in which SBC was obligated to offer the 4-hour window, the draft resolution raised the question of whether AT&T had adequately shown that CRAs were, in fact, an impediment to achieving out-of-service standards in 2005.

In its comments to draft resolution T-17024a, AT&T states that CRAs have increased 45% since D.01-12-021 was issued. More importantly AT&T states that the effect of CRAs on the average repair interval was higher in 2005 than in 2002, 2003, and 2004. In other words, more customers were opting to choose appointments farther from the date first offered by SBC, thereby extending the average interval by 4.2 hours.

Our analysis indicates that although SBC, and Pacific before it, would regularly accommodate customer requests for service, the number of customer requests has increased substantially since D.01-12-021 required SBC to make the 4-hour window CRA a state-wide program. It would be incorrect therefore to assume that the impact of CRAs was incorporated when the original initial out-of-service interval standard was set in 2001. It is unreasonable to conclude that D.01-12-021 adopted a procedure that would penalize SBC for addressing customer needs by offering customers appointments that fall within a 4-hour window, as D.01-12-021 itself ordered.

In its limited protest, DRA opposes exempting SBC from penalties due to the negative impact of providing CRAs. DRA’s reasons for its opposition to the CRA argument are two-fold:

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<sup>8</sup> AT&T AL 27928 pg. 4.

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1. SBC does not maintain adequate records to show effect of CRAs

DRA requested that SBC produce both a list of all out-of-service trouble reports stating the dates when service failed, and the first repair date offered by SBC for each of those reports. SBC produced the out-of-service repair records but does not maintain data on first appointments offered, and therefore, was unable to provide that information.<sup>9</sup> DRA believes that without knowing the first repair dates offered by SBC, it is impossible to determine if the long intervals reportedly due to CRAs are the result of the customer requesting an appointment later in the week (or month) or the result of SBC only offering an appointment later in the week (or month).

In its reply to DRA's Limited Protest, SBC asserts that it maintains a record that is an adequate substitute for DRA's needs. The record provides out-of-service intervals for all trouble calls and out-of-service intervals for trouble calls in which a customer requests a later repair appointment date than that first offered by SBC. Subtracting the second figure, OOS intervals with CRAs, from the first figure, all OOS intervals, clearly establishes that CRAs have increased the average out-of-service repair interval in 2005 by 4.2 hours. See Attachments 1 and 2.

SBC also points to Decision 03-07-035, in which the Commission required SBC to file "Average Time to Restore Service" for POTS and "POTS Out of Service Less Than 24 Hours" reports as service performance measures. Both of these measures allow SBC to exclude delays resulting from customer behavior.<sup>10</sup> SBC argues that the same reasoning should extend to out-of-service intervals.

2. DRA asserts that the records SBC does maintain do not clearly establish the effect of CRAs on initial out-of-service repair intervals.

DRA points out that the negative effect of CRAs on repair intervals is not always clear in the data SBC does retain. For example, in July 2005, 16% of residential repair reports were completed either on the day before the CRA or even sooner. In August, that figure was 18%. DRA concludes: "It is reasonable to assume that it was not always

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<sup>9</sup> SBC's repair appointment tracking system identifies when a customer has requested a repair date later than the date first offered by SBC and records the date requested by the customer as the promised repair date. The date first offered to, but rejected by, the customer is not relevant to SBC's operations and is, therefore, not tracked. SBC Reply to the Limited Protest by the Division of Ratepayer Advocates to Pacific Bell Telephone Company's Advice Letter 27928, pg. 2. (February 17, 2006)

<sup>10</sup> SBC's Reply to DRA Protest of AL 27928 in a letter to John Leutza dated February 17, 2006.

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necessary for the customer to be present for SBC to restore service. If that is the case, the question arises why the company did not repair the service in a timelier manner.”<sup>11</sup>

SBC counters that there are different kinds of outages that require different responses. “When a customer calls for repair service”, SBC explains, “the cause of the customer’s service problem is not known and may require a service technician to visit the customer’s premises. Consequently, every customer who calls for repair service is given a repair appointment. Prior to the appointment, however, SBC may find that the customer’s service problem can be fixed.” without a visit to the customer’s premises.”<sup>12</sup> In the case of cable outages where a disruption tends to have a wider effect, a technician may be on the scene making repairs regardless of customer requests. Thus, the data cited by DRA are evidence of SBC’s timely service, rather than evidence of the opposite.<sup>13</sup>

Exempting the months of January, February, March, and December due to catastrophic events, the months of April and May due to the continuing effects of the catastrophic events, and June, September, and November due to the impact of customer requested appointments on initial repair intervals, leaves the months of July, August, and October for which SBC must pay a total of \$900,000 in penalties. See Attachment 1.

We find that it is reasonable to exclude the effects of CRAs on OOS standards because CRAs were called for in the decision, serve the customers, and current standards fail to account for the unexpected increase in customer requests for appointment. It is therefore reasonable and consistent with D.01-12-021 to permit SBC to adjust the OOS intervals to accommodate the impact of CRAs.<sup>14</sup>

SBC should consult with DRA regarding the matters of OOS standards, measurements, the impact of CRAs and file a petition to modify D.01-12-021. Such petition, however, need not limit itself to these matters.

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<sup>11</sup> DRA protest, pg. 3.

<sup>12</sup> AT&T Reply, footnote 2.

<sup>13</sup> SBC AT&T reply, footnote 2.

<sup>14</sup> We note that in determining the size of the penalty, where one is levied, the Commission has held that the size of the fine should be proportionate to the severity of the offense and has applied the criteria adopted in D.98-12-075, which issued in the *Affiliate Enforcement Rulemaking*. These criteria include: (1) the severity of the offense; (2) the conduct of the utility (before, during and after the offense); (3) the financial resources of the utility; (4) the totality of the circumstances related to the violation; and (5) the role of precedent. The adjustment that we make here reflects the totality of the circumstances, specifically, the increase in use of CRAs



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**B. An exemption should be granted for the months of April and May due to the continued effect of weather-related damage from the preceding three months in which a state of emergency was declared.**

D.01-12-021, Conclusion of Law 21 states: "If a catastrophic event or widespread service outage...occurs in one or more months of the year, Pacific *should* be excused from any penalty for the month in which the event occurs or *the month in which the service problems from the catastrophic event continue.*" (emphasis added)

It is clear from the ARMIS data provided by SBC that the weather emergencies had a significant effect on repair intervals through April, May, and arguably beyond. From March to June the average initial repair interval (unadjusted for CRAs) went from 50.9 hours in March, to 46.2 hours in April, to 38.6 hours in May, and to 33.3 hours in June. After adjusting for the impact of CRA, June is the first month after those in which there was a declared state of emergency that SBC met the repair interval standard set in D.01-12-021. This trend supports the contention that repair delays caused by the catastrophic weather of January, February, and March extended into April and May.

Although in previous years SBC was able to recover after declared states of emergency within a month and meet OOS intervals in subsequent months, SBC's ability to rebound depends entirely on the particular features of the emergency, such as the number of counties affected, the size of the counties affected, and the severity of the storms. Given that this year's record breaking rainfall exceeded 200% of average in several counties, we cannot assume that all catastrophic weather events will impact SBC's service as it did in prior emergencies.

As noted above, D.01-12-021 calls for exemptions both in those months in which catastrophic events occurred and in those months during which service problems caused by catastrophic events continue. Given the severity of the storm damage and the truly extraordinary circumstances, it is reasonable to grant exemptions for the months of April and May.

**C. The financial burden of penalties is unwarranted, in light of excessive storm-related operational expenses.**

In its advice letter, SBC states: "[It] incurred substantial storm-related expenses and damages, estimated to be about \$75 million. This amount does not include costs associated with the December 2005 storms, which are still being tabulated. SBC

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California does not recover these losses under the regulatory framework applicable to SBC California. In light of this substantial financial loss and the increased impact of customer requested appointments, SBC California believes no further penalties are warranted and respectfully requests that the Commission waive all out-of-service penalties for 2005.”<sup>15</sup>

DRA responds that because SBC is covered under New Regulatory Framework (NRF), the “weather related damage to its facilities falls under the category of operational risks and should be borne by the shareholders.” SBC replies that DRA misapprehended SBC’s request for a waiver. SBC agrees that it is not allowed to recover storm related losses under the said regulatory framework, but it is “pointing out that it has experienced substantial losses as a result of extraordinary circumstances in 2005 beyond its control...[and therefore,] it is unwarranted to heap additional out-of-service penalties on SBC California.”<sup>16</sup>

SBC countered in its comments that NRF does not preclude SBC’s asking for exemption from the standards because SBC suffered substantial financial losses. Nonetheless, financial losses are not one of the eligible criteria for exemptions. Exemptions may be granted for catastrophic events, widespread outages, and the continued effect of either in following months.

A widespread service outage is defined in D.01-12-021 as an outage affecting at least 3% of SBC’s residential customers. The monthly percentage of trouble reports to total residential access lines is less than the 3% threshold used to define a widespread service outage in the Decision; therefore, SBC does not qualify for this exemption.

SBC submitted a number of records on both paper and CD ROM in response to TD’s data requests. SBC designated the records as “proprietary and confidential” and stated that the records were submitted pursuant to Public Utilities Code section 583 and General Order (“GO”) 66-C.

Under the Public Records Act (Gov. Code § 6250 et seq.), governmental records are presumed to be public unless an exception applies (Gov. Code § 6252). If an exception applies, disclosure is allowed (unless otherwise prohibited by law), but not required. (See Gov. Code § 6254.) In addition to the many express exemptions in the Public Records Act (Gov. Code § 6254), there is a “catchall” exemption, which allows a government agency to withhold records if it can demonstrate that, on the facts of a

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<sup>15</sup> SBC AL 27928, page 5.

<sup>16</sup> SBC Reply to Limited Protest, page 3.

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particular case, the public interest served by withholding the records clearly outweighs the public interest served by disclosure. (Gov. Code § 6255.)

Thus, the Commission has disclosed records listed as “not open to public inspection” under section 2 of GO 66-C by applying the balancing test on a case-by-case basis or to categories of records. As we have previously stated in a number of decisions and resolutions, section 583 does not in itself create a privilege that a utility can assert against the Commission’s disclosure of documents.

Section 583 does not create for a utility any privileges of nondisclosure. Nor does it designate any specific types of documents as confidential. To justify an assertion that certain documents cannot be disclosed, the utility must derive its support from other parts of the law.

(*Re Southern California Edison Company* [D.91-12-019] (1991) 42 Cal.P.U.C.2d 298, 301. See also, e.g., Resolution G-3378, issued March 17, 2005, at p. 10.)

The records submitted by SBC appear to be the types of records that should be made public. The burden is on SBC to demonstrate why the public interest in disclosure is outweighed by the need to keep the records confidential. Along with its comments submitted on the draft resolution, SBC should state any specific privilege that applies to the records and state any other facts that justify nondisclosure. After reviewing SBC’s response, we will determine whether or not to order disclosure.

In its comments, SBC responded to our request to release certain data that SBC classified as confidential. SBC said that the data provided to TD in response to a data request included customer-specific records and information that would prove to be a competitive disadvantage to SBC if it were made public. TD does not intend to release any data in addition to what was contained in the original draft resolution, and SBC did not claim that those particular data were either customer specific or damaging to SBC.

## Findings

1. SBC informed the Commission that it did not meet IOOS and ROOS standards in 2005.

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2. SBC requested a penalty waiver, on the basis of declared states of emergency, for IOOS during the months of January, February, March, and December.
3. SBC requested penalty waiver, on the basis of declared states of emergency, for ROOS for the entire year.
4. SBC requested penalty waiver on the basis of additional time due to CRA for IOOS for months of June, September, and November.
5. SBC requested penalty waiver on the basis of incurred excessive storm-related operational cost for IOOS for remaining months of April, May, July, August, and October.
6. A limited protest was filed by DRA on February 8, 2006.
7. SBC replied to DRA limited protest on February 17, 2006.
8. SBC's supporting documents are sufficient to accept SBC's request for penalty waiver on the basis of states of emergencies for January, February, March, and December 2005, for IOOS and for the entire year for ROOS.
9. SBC's supporting documents are sufficient to accept SBC's adjustment of out-of-service intervals for customer requested appointments (CRAs) for the entire year. Such an adjustment is consistent with the scheme adopted in D.01-12-021 because it encouraged the provision and use of CRAs.
10. SBC should be granted an exemption for the months of April and May due to the continued effects of declared states of emergency in the preceding months.
11. This resolution adequately responds to the comments submitted by SBC in response to the original draft of this resolution.

**THEREFORE, IT IS ORDERED THAT:**

1. SBC's request for penalty exemption for IOOS due to declared states of emergency for the affected period (i.e., January, February, March, and December, 2005) is granted.

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2. SBC's request for a penalty exemption for IOOS due to the continued effects of declared states of emergency in April and May is granted.
3. SBC's request for penalty waiver for claimed effects of CRA on IOOS and ROOS is granted.
4. SBC's request for penalty waiver for the remaining months in 2005 from the IOOS standard is denied. SBC's request for a blanket penalty waiver for IOOS for the entire year is also denied.
5. In accordance with D.01-12-021, SBC shall pay a penalty of \$300,000 per month for three months for a total of \$900,000 for non-compliance with the IOOS standard.
6. SBC's request for penalty exemption for ROOS for the entire year of 2005 is granted.
7. SBC shall consult with DRA on this matter to develop regulatory policies concerning out-of-service intervals that best serve AT&T's customers. If possible they should file a joint petition to modify D.01-12-021.
8. If it is not possible to make a joint filing, then SBC shall within 90 days file a petition to modify D.01-12-021 proposing policies to ensure the Commission's regulations do not create incentives that discourage innovative advances in customer service, such as the Customer Requested Appointment program. In addition, SBC and DRA are welcome to raise any issues concerning the Commission's out of service policies either in a joint petition, or in separate petitions, filed within 90 days.

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This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on July 20, 2006. The following Commissioners approved it:

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STEVE LARSON  
Executive Director

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**Attachment 1**

T17024b Notice Letter, ARMIS data

Repair Intervals Adjusted for Catastrophic Events and Customer Requested Appointments (Hours)		
2005	Initial Repair (IOOS) Standard =29.3	Repeat Repair (ROOS) Standard =39.4
January	Exclude	Exclude
February	Exclude	Exclude
March	Exclude	Exclude
April	40.8	44.9
May	33.6	36.6
June	28.5	30.4
July	34.4	36.1
August	31.9	33.1
September	28.8	30.1
October	31.6	32.9
November	27.9	30.9
December	Exclude	Exclude
Annual	<b>32.1</b>	<b>34.3</b>

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**Attachment 2**

Repair Intervals Adjusted for Catastrophic Events (Hours)		
2005	Initial Repair (IOOS) Standard =29.3	Repeat Repair (ROOS) Standard =39.4
January	Exclude	Exclude
February	Exclude	Exclude
March	Exclude	Exclude
April	46.2	49.1
May	38.6	40.1
June	33.3	33.8
July	39.0	39.5
August	35.7	36.5
September	31.8	32.6
October	35.0	35.4
November	31.9	33.2
December	Exclude	Exclude
<b>Annual</b>	<b>36.4</b>	<b>37.6</b>